

Message Text

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PAGE 01 BANGKO 12570 090714Z
ACTION EB-07

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SUBJ: GSP FIRST YEAR REVIEW

REF: A. STATE 67507, B. BANGKOK 7579, C. STATE 42408

1. PRIOR TO RECEIPT OF GSP STATISTICS FROM DEPARTMENT, EMBASSY
SUBMITTED PRELIMINARY ANALYSIS OF US GSP (REF B) AND ITS EFFECT
ON THAILAND'S EXPORTS IN 1976. IN RESPONSE TO QUESTIONS RAISED
REF A, RTG OFFICIALS OF THE DEPARTMENT OF FOREIGN TRADE REPLIED
AS FOLLOWS:

A. WAS GSP BENEFICIAL TO THAILAND?
RTG OFFICIALS CONSIDER GSP TO BE BENEFICIAL BUT WOULD PREFER AN
EXPANSION OF THE NUMBER OF ELIGIBLE PRODUCTS TO BE INCLUDED. A
PETITION IS BEING PREPARED FOR THE INCLUSION OF CARPETS (TSUS
36979), MOSIAC TILES, CERAMIC (TSUS 53221), BRONZE TABLEWARE
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PAGE 02 BANGKO 12570 090714Z

(TSUS 65021, 65049, 65056) AND MACRAME, MADE OF JUTE (PLANT
HANGERS) (TSUS 314.80-90).

B. HAVE EXPORTS TO US INCREASED?
THAILAND'S EXPORTS TO THE US APPROXIMATED \$298 MILLION IN 1976.
THIS WAS A 20 PERCENT INCREASE ABOVE THE \$248 MILLION REGISTERED
IN 1975. THIS DATA IS INSUFFICIENT TO CONFIRM THAT US GSP WAS AN

INCENTIVE IN THE EXPANSION OF THAILAND'S EXPORTS TO THE US.

C. HAVE THERE BEEN ANY NEW INVESTMENTS OR ANY PLANNED TO TAKE ADVANTAGE OF US GSP?

THERE HAVE BEEN NO NEW INVESTMENTS NOR ANY PLANNED TO TAKE ADVANTAGE OF US GSP.

WHILE THE BOARD OF INVESTMENT (BOI) IS CONSIDERING WAYS TO ENCOURAGE THAI MANUFACTURES IN THE PRODUCTION OF MORE ELIGIBLE PRODUCTS, RTG OFFICIALS BELIEVE THAT THE YEAR-TO-YEAR LIFE OF THE PROGRAM AND THE COMPETITIVE NEED PROVISIONS FOR EXCLUSION OF ELIGIBLE PRODUCTS ARE STRONG DISINCENTIVES FOR INVESTMENT. IT WAS FELT THAT A GSP PROGRAM SPANNING A PERIOD OF FIVE YEARS WOULD BE HELPFUL IN PROVIDING THE NEEDED INCENTIVES FOR INVESTORS IN THE PRIVATE SECTOR.

D. WHY SOME ELIGIBLE PRODUCTS DID NOT RECEIVE GSP BENEFITS. THE INITIAL PERIOD OF UNFAMILIARITY WITH US GSP ON THE PART OF THE GOVERNMENT AS WELL AS THE THAI EXPORTERS PREVENTED THAILAND FROM ACHIEVING MAXIMUM POTENTIAL BENEFITS. THAI PRODUCTS ENTERING THE US IN 1976 WITH GSP BENEFITS COULD HAVE BEEN INCREASED BY 41.4 PERCENT (BY VALUE). THIS REPRESENTS ELIGIBLE PRODUCTS NOT ACCORDED GSP BENEFITS BECAUSE OF UNSPECIFIED REASONS (E.G. SHIPMENT ACCOMPANIED BY FORM A DID NOT MEET VALUE ADDED REQUIREMENTS, ETC.). RTG OFFICIALS CONSIDERED USTS 15520 (SUGAR, SYRUP, MLOASSES) TO HAVE BEEN EXCLUDED FROM GSP DURING 1976 BECAUSE OF COMPETITIVE NEED LIMITATIONS. THE US GSP IMPORT STATISTICS FOR THAILAND IN 1976 LIST TSUS 15520 WITH THE EXPLANATION THAT IT DID NOT RECEIVE GSP BENEFITS BECAUSE OF OTHER UNSPECIFIED REASONS (E.G. DID NOT LIMITED OFFICIAL USE

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PAGE 03 BANGKO 12570 090714Z

MEET VALUE ADDED REQUIREMENTS, NO FORM A, ETC.), RATHER THAN HAVING BEEN EXCLUDED BY COMPETITIVE NEED. THE INTERPRETATIONS OF THIS ARE UNCLEAR TO EMBASSY FOR US IMPORTS FROM THAILAND OF USTS 15520 IN 1976 WERE SUBSTANTIALLY LESS THAN THE DOLLAR OR 50 PERCENT LIMITATIONS UNDER "THE COMPETITIVE NEED" CRITERION AND REFTTEL C APPEARS TO CONFIRM THIS INTERPRETATION. EMBASSY HAS NOT RECEIVED RESPONSE TO AGAT'S TOFAS 68 OF MAY 14 REQUESTING CLARIFICATION AND WOULD APPRECIATE DEPARTMENT'S OPINION.

E. WHAT WAS THE EFFECT OF GSP ON THE ECONOMY AND VOLUME OF TRADE?

THAILAND'S EXPORTS IN 1976 FORGED AHEAD BY 33 PERCENT. MOST OF THIS INCREASE RESULTED FROM A HIGHER EXPORT VOLUME OF ITS TRADITIONAL PRODUCTS WHILE PRICES OF MANY OF THEM WERE BELOW THOSE OF THE PREVIOUS YEAR. THE GROWTH OF THAILAND'S EXPORTS HAS BEEN SIGNIFICANT IN RECENT YEARS BUT LITTLE IF ANY OF THIS GROWTH IS BELIEVED TO HAVE BEEN ACHIEVED BECAUSE OF GSP OF DEVELOPED COUNTRIES AND NO NOTICEABLE TRADE PATTERNS HAVE EMERGED. JAPAN, THAILAND'S LARGEST TRADING PARTNER, IMPORTED \$606 MILLION FROM

THAILAND IN 1975 OF WHICH 7.4 PERCENT OR \$44 MILLION RECEIVED
GSP BENEFITS. THAILAND'S EXPORTS TO EEC TOTALED \$349 MILLION DURING
THIS PERIOD WHILE 17.8 PERCENT OR \$62 MILLION ENTERED UNDER GSP.
THAI PRODUCTS IMPORTED BY THE US IN 1976 TOTALED \$298 MILLION OF
WHICH \$44.4 MILLION OR 18.6 PERCENT RECEIVED GSP BENEFITS.
(COMPLETE 1976 THAILAND EXPORT STATISTICS ARE CURRENTLY UNAVAILABLE
FOR JAPAN AND THE EEC.)
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